

# inCode Releases Top Ten Predictions for 2011

- Annual predictions outline telecommunications roadmap for 2011
- Tethering expected to go mainstream in 2011
- New pricing plans will focus on quality, not quantity

inCode, a division of Ericsson, today released its annual predictions for the telecommunications market in 2011. Leveraging its vast experience and knowledge base, inCode's annual predictions serve as guidance to all companies connected to the telecommunications market. From new connected devices to an uprising of smartphone malware, this year's predictions include both expectations coming to fruition and surprising new trends for 2011.

**1) New Love Connection:** The prospect of wireless connectivity appearing in a broad range of consumer electronics has been discussed for years. However, e-readers have been the only major success in this space. In 2011, the market conditions are right for a new major category of connected devices to emerge and quickly be adopted. E-readers have shown that special function devices can be profitable when the experience is customized to a task. Look for consumer electronics firms to win hearts with new purpose-built connected devices - most likely digital cameras or navigation devices - and operators to embrace them as an incremental revenue source.

**2) AD-aptng to the Mobile Environment:** For years, mobile operators have attempted to combat the "dumb pipe" moniker with largely unsuccessful forays into content distribution, web portals and application marketplaces. While their primary role of transporting data will not change in the near future, we believe operators will finally begin to significantly monetize the "data within the pipe" thanks to a renewed focus on mobile marketing and advertising. In 2011, operators will begin to launch customized mobile marketing programs - such as distributing anonymous user profile data direct to advertisers - in an attempt to outwit Apple, Google and Microsoft while driving long-sought ad revenues.

**3) Nobody Gives a "G":** Mobile operators have been incorporating 3G and 4G marketing messages throughout 2010 to demonstrate their use of the most advanced technology "Generation." In the last few months, the industry has seen this "G" war escalate even though most consumers have no idea what the "G's" mean, except that a higher number must be better. In 2011, expect one major cellular operator to buck this marketing dynamic and create a new basis for competitive positioning. With the proliferation of powerful 1 GHz processors, the application marketplace and chic user-interfaces powering a more enjoyable customer interaction, we will begin to see operators downplay the importance of the network "G" and emphasize the "gee whiz" factors of user experience and quality.

**4) Innovation Across the Nation:** In recent years, telecom operators have faced a barrage of competition from non-traditional telecom players who have attempted to relegate the

operators to dumb-pipe status. To combat this, operators have tried to create value in connectivity by focusing on network innovation in the race to 4G. However, as network coverage and capacity are now becoming less important factors of differentiation, operators are eager to demonstrate they have value beyond the pipe. In 2011, operators will increasingly seek to compete on the basis of product differentiation. To make the change from network to product/solution, the major operators have announced new initiatives around innovation related to 4G and M2M. In the coming year, look for the focus of operators to shift and a large number of new products and solutions to be launched by the operators.

**5) Back by Popular Demand:** The position of power in the media value chain has shifted back to on-demand content owners and aggregators as the need for on-demand content reaches more devices, platforms and locations. In 2011, we believe that one of the leading technology giants will attempt to acquire an on-demand provider, such as Netflix, as a means of vertically integrating and assuming control of the value chain.

**6) “Over the Top” goes Over the Top:** In 2010, OTT entered the living room en masse through internet-enhanced gaming consoles and on-demand content distribution platforms. In 2011, we will see OTT solutions reach critical mass with the growing popularity of internet connected TVs with full browsing capabilities. To meet this demand, a flurry of competitors will flock to the OTT video space – including regional cable companies, out-of-region ILEC’s, content/media companies and gaming vendors. In particular, we believe cable companies will participate heavily in this virtual gold rush by launching creative OTT solutions in the TV programming space that can be delivered in areas where they are not physically connected to the home. These offerings will protect MSO’s fixed and wireless infrastructure, as well as create additional demand for new services from households previously thought to be out of reach.

**7) Second Bite at the Apple:** The growth of smart phones with more capabilities brought the promise of new sources of revenue from applications to many in the industry. However, only Apple and Google Android have managed to capitalize on the application store opportunity in a significant way. All other efforts have languished or failed. With the emergence of cloud and HTML5-based applications, another opportunity blooms. Browser-based applications offer the advantage of handset and OS independence and are expected to grow in importance. With a new platform, those who missed out on the first generation of application stores get another chance to eat into Apple’s dominance. Look for several launches in 2011 of cloud/HTML5 application stores by different parts of the ecosystem (operators, OEMs, handset manufacturers). However, clearly Apple and Google will continue to try to grow their incumbent advantage.

**8) The Tie that Binds:** After years of both overt and covert discouragement of tethering (using a cell phone as a modem), operators in the United States are set to embrace the concept in 2011. Google kick-started the revolution by allowing free tethering applications in their Android marketplace. HTC then turned up the heat by introducing hotspot functionality on the EVO. Consumers are demanding more connectivity but do not want multiple cell plans or the cost burden of cellular enablement of all devices. In the coming year, carrier movement toward tiered data pricing rather than unlimited, and more user-friendly tethering experiences will result in more proactive promotion of tethering solutions and will become a mainstream method of wireless broadband access. In addition, expect more businesses to

abandon laptop cards in favor of tethered solutions to help consolidate and control usage and expense.

**9) How the Mighty have Fallen:** The hyper-competitive mobile device environment will claim its first victim in 2011 when at least one former OEM titan disappears from the industry. The closed (hardware plus software) handset model once-popularized by Apple, Blackberry, Nokia and Palm is shifting into a more collaborative effort led by Google where hardware and software manufacturers combine best-of-breed elements to create compelling handset offerings. OEMs have increased their efforts on hardware design and integration, and those device manufacturers with weak supply chains and inferior economies of scale will face the threat of becoming obsolete as margins erode. With component shortages expected to continue through the first half of 2011 and device demand still uncertain, we are ready to bid farewell to at least one former OEM stalwart brand in the coming 12 months.

**10) Paradise by the Dashboard Light:** With the industry slowly growing accustomed to usage-based data pricing, customers will demand more visibility into the quality and cost of each mobile data experience. A natural progression from the “signal strength” meter and raw throughput will occur as inquisitive customers want to understand how to best use their available data budget on a session by session basis. This trend will be particularly critical for video applications, where quality of experience can vary widely based on available broadband speed and network congestion. Questions of “How much is this online stream going to cost me?” and “Will this video chat be a good or bad experience?” are a natural byproduct of retiring the “all you can eat” pricing plans. In order to address this, operators will provide meters and metrics that indicate potential quality of experience as a standard offering.

**Bonus Prediction: Smartphone Gets Plagued:** Up to this point, the wireless data industry has been relatively untouched by the viruses, malware and other assorted ills that have plagued the broader internet. Traditional “closed” cellular networks are becoming more open, and powerful smartphones encourage usage previously only performed on larger computing platforms. The transition will not be lost on the agents of infection who will seek to spread their mayhem into the cellular space.

**About inCode**

*inCode, a division of Ericsson, is a premier professional services firm providing strategic business and consulting services to leading clients in telecommunications.*

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